

Opening Statement of the Honorable Fred Upton
Subcommittee on Energy
“DOE Modernization: Legislation to Authorize a Pilot Project to
Commercialize the Strategic Petroleum Reserve”
July 24, 2018

(As prepared for delivery)

Good morning, and welcome to the Energy Subcommittee for a legislative hearing on a discussion draft that authorizes DOE to conduct a pilot program to lease spare capacity in the Strategic Petroleum Reserve. I want to thank Vice Chairman Barton and Ranking Member Rush for partnering on this draft as we continue our work to modernize the Department of Energy.

The Strategic Petroleum Reserve is the world’s largest emergency stockpile of crude oil in the world. More than forty years ago, Congress authorized the creation of the SPR in response to the Arab Oil Embargo to mitigate the threat of an energy supply disruption. Back then, our domestic production was in decline, energy costs were rising, and we were becoming increasingly reliant on imports. The oil embargo exposed our vulnerabilities and panic quickly spread – some of us will remember those long lines at the gas pump.

Fast forward to today – the United States is arguably more energy secure now than ever before. We’re the world’s number one producer of oil and gas and our imports have declined by about seventy percent since peaking in 2005. With the surge of domestic production, our private stocks of crude oil are at record levels, our pipelines are full, and our refineries are operating at near peak capacity. In the very unlikely event of another embargo, the United States wouldn’t be impacted in the same way.

Even with America’s energy abundance, the Strategic Petroleum Reserve will remain an important energy security asset, which is why I have prioritized its modernization. This Committee led the charge to right-size the SPR and increase the funding levels to clear the maintenance backlog. Over the next 10 years, DOE will drawdown and sell approximately 300 million barrels of crude oil. Now, it’s up to Congress to decide what to do with the spare capacity.

The Discussion Draft before us today authorizes DOE to lease some of the underutilized space that will become available over the next several years. Commercializing the excess storage capacity through a leasing program is an

innovative idea – and it could be a win-win for the federal government. At a minimum, DOE may be able to offset some of its maintenance costs and invest in new infrastructure.

It's been over forty years since Congress created the SPR, and a lot has changed. As we work to modernize this valuable energy security asset, we should bear in mind just how far we've come since the energy crisis of the 1970's. With the right policies in place, the United States is on track to become a net energy exporter in just a few short years.

I'd like to thank our witnesses for appearing before us today to provide their views on the legislation. I also want to thank Vice Chairman Barton and Ranking Member Rush for their work on this important piece of legislation. I look forward to working with them to move it through Committee and the House floor in the coming months.

Thanks, I yield back.